

Desjardins SocieTerra

Short-Term Income Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2023

PORTFOLIO MANAGER:

Desjardins Global Asset Management

INCEPTION DATE:

May 30, 2022

CIFSC CATEGORY*:

Canadian Short-Term Fixed Income

Contributors to relative performance

- The positioning on the curve resulted in a slightly favourable net bias, which proved to be true, though marginally considering the large movement in rates. Our overweight position in corporate debt versus provincial bonds helped us capture all the value added to the portfolio during the quarter. In addition, we were overweighted in the financial sector which was the best performing sector. Our exposure to corporate debt remained stable throughout the period. Increasing federal agency credentials relative to the Canadian government has also been beneficial.

Detractors from relative performance

- The portfolio was positioned to take advantage of the deterioration of the 3- to 4-year sector relative to the 1- and 5-year portions of the curve, which resulted in a net negative in the context of a steepening yield curve.

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Major changes to portfolio in the period

→ While the credit spreads offered are in an attractive value area, we continue our passive reduction in line with a potential economic slowdown. In dollars, we are still overweight, but less so than before, in favour of federal stocks. Note that this reduction is offset by an increase in the duration of holdings. We therefore benefit from a better sliding profile on the rate spread curve. In addition, portfolio terms were increased at the end of the period as the rates were rapidly rising, crystallizing higher long-term rates with federal debt. To do this, we moved our holdings in the 2-year portion to the 3-year portion, primarily by adding federal agencies.

ESG Analysis

Green, sustainability, and social bonds represent approximately 10% at the end of the quarter. The variation compared to the previous quarter is related to market value fluctuations, as well as to net contributions.

We take the scope of climate change risk into account when selecting issuers. During the third quarter, the portfolio's carbon footprint was below the average of the FTSE Canada Short-Term Corporate Bond Index.

*CIFSC refers to Canadian Investment Funds Standards Committee. The CIFSC has the mandate to standardize the classification of mutual funds in Canada. <http://www.cifsc.org/>.

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